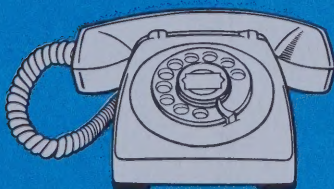


*Feb. 1965*

**AR54**

**ANNUAL REPORT 1965**

**ANGLO-CANADIAN  
TELEPHONE COMPANY**



715 VICTORIA SQUARE, MONTREAL 1, P.Q.



### **Directors**

THOMAS A. BOYD	CYRUS H. MCLEAN
JAMES J. CLERKIN, JR.	DONALD C. POWER
ARISTIDE COUSINEAU	OSMOND B. THORNTON
JOHN J. DOUGLAS	A. S. TORREY
THEODORE S. GARY	LESLIE H. WARNER

### **Officers**

JOHN J. DOUGLAS <i>President</i>	CAMERON HOUGH <i>Secretary and Treasurer</i>
THEODORE S. GARY <i>Vice-President</i>	HAROLD H. HOWLETT <i>Assistant Secretary</i>
RALPH D. HEUSEL, <i>Assistant Treasurer</i>	

### **Transfer Agents and Registrars**

#### **CUMULATIVE PREFERRED STOCK**

The Royal Trust Company, Montreal, P.Q., Canada  
Co-Transfer and Co-Registrar Offices at  
Toronto, Winnipeg, Vancouver, Saint John and Halifax

#### **CLASS A STOCK**

Montreal Trust Company, Montreal, P.Q., Canada  
Co-Transfer and Co-Registrar Office  
Bankers Trust Company, New York, New York, U.S.A.



## TO THE SHAREHOLDERS:

9th March 1966

There is submitted herewith the Thirty-First Annual Report of Anglo-Canadian Telephone Company for the year 1965. Appearing on the following pages in this report are the balance sheets, statements of income and statements of earnings retained for use in the business, both on a corporate basis and consolidated with its subsidiaries as at 31st December 1965, together with comparative results for the year 1964.

### Earnings and Dividends

Corporate net income for the year 1965 amounted to \$2,395,217, compared with \$3,520,302 in 1964. The dividend requirement on the preferred stocks of the Company was \$1,014,750, the same as in the year 1964.

Consolidated net income of the Company and its subsidiaries for the year ended December 31, 1965 was \$5,060,279, compared with \$5,808,469 for the year ended December 31, 1964, a decrease of \$748,190. The reduction in corporate and consolidated net income is attributable entirely to the exclusion from the 1965 net income of the Company of any earnings from Cia. Dominicana de Telefonos, C. por A., a subsidiary which provides telephone service in the Dominican Republic. The exclusion of Dominicana from Anglo's corporate and consolidated net income in 1965 was considered necessary because audited financial statements for that subsidiary have not yet become available. While the political situation in the Dominican Republic has improved since the April, 1965 insurrection, it will be some time before the effect thereof on the accounts and operations of our subsidiary company can be fully evaluated. After providing on its books for all known losses, our Dominican subsidiary reported unaudited net income of \$414,690, which amount was offset by a contingency provision of a like amount in the accounts of Anglo-Canadian Telephone Company. In the preceding year the net income of the Dominican subsidiary, amounting to \$1,449,013, was included in consolidated net income. The notes to the audited financial statements appearing on page 10 of this report and the auditors' report on page 12 fully cover the matters above referred to.

### Investments and Financing

During the year 1965 Anglo purchased an additional 144,240 shares of the ordinary stock of British Columbia Telephone Company through the medium of purchase warrants, received from that

company, entitling shareholders to subscribe for additional shares. These shares, plus an additional 2,650 shares acquired subsequently, bring the total shareholding in that company to 1,300,810 shares at year-end, being 50.24% of the total shares outstanding. This additional investment was financed primarily by the sale of 70,000 shares of Class A stock of the Company to General Telephone & Electronics Corporation for a consideration of \$7,000,000.

A further payment of \$29,735 was received in December 1965 from the Canadian War Damage Commission representing the final payment in settlement of the capital award and interest on the Company's claim in respect to its previous investment in Philippine Long Distance Telephone Company. Total payments of principal and interest received since 1960 on this claim amount to \$959,277.

### **British Columbia Telephone Company**

Anglo-Canadian Telephone Company owns 50.24% of the outstanding ordinary shares of British Columbia Telephone Company, the major telephone company in the Province of British Columbia operating approximately 94% of all the telephones in the Province of British Columbia.

During the year 1965 over \$48,000,000 was expended on the construction of new and improved facilities and the telephones in service increased by 47,856 to a total of 709,564 at December 31. Approximately 99% of the telephones in service were dial operated and 73% had access to Direct Distance Dialing linking them to over 70 million other North American telephones.

Total operating revenues in 1965 increased 14% to a total of \$99,700,513 while net operating income was up 12% to a total of \$22,030,816. The earnings available for ordinary shares were \$9,880,115 for the year 1965, compared with \$8,455,655 in the previous year. Dividends paid to Anglo on ordinary shares in 1965 were \$2,857,542 compared with \$2,769,408 for the year 1964.

### **Dominion Directory Company Limited**

The Directory Company, a subsidiary owned entirely by Anglo, sells directory advertising and supervises the publication of telephone directories for British Columbia Telephone Company and other telephone operating companies in Canada. Net income for 1965 was \$274,600 compared with \$272,000 in 1964. Dividends paid to Anglo amounted to \$250,000 in 1965 compared with \$200,000 in the previous year.

### **Canadian Telephone and Supplies Ltd.**

This subsidiary, wholly owned by Anglo, provides contract installation services for British Columbia Telephone Company and other companies in Canada. The net income for the year 1965 was \$135,900 compared with \$126,400 for the previous year. Dividends paid to Anglo in 1965 amounted to \$131,250 compared with \$204,750 in the previous year.

On Behalf of the Board of Directors,



President.

**Balance Sheets as at 31st December 1965 and 1964**

	<b>Assets</b>	
	31st December	
	<b>1965</b>	<b>1964</b>
INVESTMENTS (Notes 2, 3 and 4)		
Subsidiary companies .....	\$60,486,658	\$52,110,123
CURRENT ASSETS		
Cash .....	\$ 435,966	\$ 1,273,951
Bank deposit receipts .....	—	600,000
Income taxes recoverable .....	14,000	—
Due from subsidiary companies (Note 2) .....	1,410,711	1,671,627
	<u>\$ 1,860,677</u>	<u>\$ 3,545,578</u>
UNAMORTIZED DEBT DISCOUNT AND EXPENSE .....	\$ 125,136	\$ 143,581
	<u>\$62,472,471</u>	<u>\$55,799,282</u>
<b>Liabilities</b>		
SHAREOWNERS' EQUITY		
CAPITAL STOCK (Note 5)		
Class A .....	\$ 8,046,850	\$ 7,346,850
Deferred .....	2,000,000	2,000,000
Preferred .....	19,500,000	19,500,000
	<u>\$29,546,850</u>	<u>\$28,846,850</u>
PREMIUM ON CAPITAL STOCK .....	16,308,247	10,008,247
EARNINGS RETAINED FOR USE IN THE BUSINESS —		
Unappropriated (Note 6) .....	10,945,293	11,420,430
Appropriated for general contingencies .....	425,000	425,000
	<u>\$57,225,390</u>	<u>\$50,700,527</u>
6% SINKING FUND DEBENTURES SERIES A DUE		
1st FEBRUARY 1983 (Note 7) .....	\$4,680,000	
Less: Sinking fund instalment due		
2nd February 1966 .....	260,000	
	<u>\$ 4,420,000</u>	<u>\$ 4,680,000</u>
CURRENT LIABILITIES		
Long-term debt — current sinking fund maturity (above)		
(less amount purchased for sinking fund) .....	\$ 86,000	\$ 33,000
Accounts payable .....	10,967	39,278
Accrued interest on debentures .....	112,650	117,825
Accrued dividends on preferred shares		
(subsequently declared) .....	169,542	169,542
Provision for income taxes .....	5,672	31,550
	<u>\$ 384,831</u>	<u>\$ 391,195</u>
RESERVES		
For employees' benefits .....	\$ 27,560	\$ 27,560
Other .....	414,690	—
	<u>\$ 442,250</u>	<u>\$ 27,560</u>
	<u>\$62,472,471</u>	<u>\$55,799,282</u>

The accompanying notes form an integral part of these financial statements.

*Approved on behalf of the Board of Directors*

JOHN J. DOUGLAS, *Director* LESLIE H. WARNER, *Director*



**Statements of Income and Expenses**

For the Years ended 31st December 1965 and 1964

	<u>1965</u>	<u>1964</u>
<b>INCOME</b>		
Subsidiary companies (dividends, interest and other income) (Note 2) .....	\$3,288,962	\$3,999,871
Other income .....	32,985	40,593
	<u>\$3,321,947</u>	<u>\$4,040,464</u>
<b>EXPENSES</b>		
General, administrative and contractual expenses .....	\$ 210,214	\$ 145,651
Interest and amortization of debt discount .....	298,296	315,582
Provision for income taxes .....	1,420	56,800
Other taxes .....	2,110	2,129
Provision for contingencies (Note 2) .....	414,690	—
	<u>\$ 926,730</u>	<u>\$ 520,162</u>
Net income for the year .....	<u>\$2,395,217</u>	<u>\$3,520,302</u>

**Statement of Earnings Retained**

**For use in the Business Unappropriated (Note 6)**

For the Year Ended 31st December 1965

Balance as at 1st January 1965 .....	\$11,420,430
<b>Add:</b>	
Net income for the year .....	2,395,217
	<u>\$13,815,647</u>
<b>Deduct:</b>	
Dividends paid or provided for —	
4½% cumulative preferred stock .....	\$ 281,250
\$2.90 cumulative preferred stock .....	362,500
\$2.65 cumulative preferred stock .....	371,000
Class A stock .....	1,565,604
Deferred stock .....	290,000
	<u>2,870,354</u>
Balance as at 31st December 1965 .....	<u>\$10,945,293</u>

The accompanying notes form an integral part of these financial statements.

# ANGLO-CANADIAN TELEPHONE COMPANY and Subsidiary Companies

## Consolidated Balance Sheets (Note 1)

As at 31st December 1965 and 1964

	31st December	
	1965	1964
<b>Assets</b>		
<b>FIXED ASSETS</b>		
Land, buildings, plant and equipment, at cost (including \$2,582,408 being excess of carrying value of investment in subsidiary over book value of its net assets)	\$447,627,554	\$410,020,684
Less: Provision for accrued depreciation .....	86,910,717	73,042,165
	<u>\$360,716,837</u>	<u>\$336,978,519</u>
<b>INVESTMENTS AND OTHER ASSETS</b>	<u>\$ 407,270</u>	<u>\$ 479,482</u>
<b>CURRENT ASSETS</b>		
Cash .....	\$ 1,714,696	\$ 2,757,422
Bank deposit receipts .....	2,000,000	675,000
Accounts and notes receivable, less provision for doubtful accounts .....	14,617,973	12,080,950
Due from affiliated companies .....	203,187	477,582
Materials and supplies, at cost .....	6,653,187	6,487,611
Prepayments .....	990,956	932,472
	<u>\$ 26,179,999</u>	<u>\$ 23,411,037</u>
<b>DEFERRED CHARGES</b>		
Unamortized debt discount and expense .....	\$ 3,583,769	\$ 3,792,776
Other deferred charges .....	2,856,632	2,417,703
	<u>\$ 6,440,401</u>	<u>\$ 6,210,479</u>
	<u><u>\$393,744,507</u></u>	<u><u>\$367,079,517</u></u>

The accompanying notes form an integral part of these financial statements.



## Liabilities

	31st December	
	<u>1965</u>	<u>1964</u>
SHAREOWNERS' EQUITY		
CAPITAL STOCK (Note 5)		
Class A .....	\$ 8,046,850	\$ 7,346,850
Deferred .....	2,000,000	2,000,000
Preferred .....	19,500,000	19,500,000
	<u>\$ 29,546,850</u>	<u>\$ 28,846,850</u>
PREMIUM ON CAPITAL STOCK .....	16,308,247	10,008,247
EARNINGS RETAINED FOR USE IN THE BUSINESS —		
Unappropriated .....	23,422,122	21,936,908
Appropriated for general contingencies .....	974,438	953,704
	<u>\$70,251,657</u>	<u>\$ 61,745,709</u>
PREFERENCE AND PREFERRED SHARES OF SUBSIDIARY OWNED BY PUBLIC, AND MINORITY INTEREST		
British Columbia Telephone Company —		
Preference and preferred shares .....	\$ 73,500,000	\$ 65,500,000
Minority interest of ordinary shareowners .....	57,096,910	47,623,046
	<u>\$130,596,910</u>	<u>\$113,123,046</u>
LONG-TERM DEBT (Note 7)	<u>\$161,920,000</u>	<u>\$162,180,000</u>
CURRENT LIABILITIES		
Long-term debt — current sinking fund maturity (less amount purchased for sinking fund) .....	\$ 86,000	\$ 33,000
Bank loan .....	—	2,500,000
Accounts payable .....	3,844,409	5,095,146
Accrued interest on long-term debt .....	2,524,108	2,529,283
Accrued dividends .....	1,865,386	1,538,900
Due to affiliated companies .....	4,232,506	2,169,606
Advance billings and payments .....	2,625,599	2,405,369
Provision for income taxes .....	6,058,536	4,825,852
	<u>\$ 21,236,544</u>	<u>\$ 21,097,156</u>
RESERVES AND DEFERRED CREDITS		
Deferred income taxes (Note 8) .....	\$ 8,670,544	\$ 8,670,544
Other .....	1,068,852	263,062
	<u>\$ 9,739,396</u>	<u>\$ 8,933,606</u>
	<u>\$393,744,507</u>	<u>\$367,079,517</u>

**Consolidated Statements of Income and Expenses**

For the Years ended 31st December 1965 and 1964

	<u>1965</u>	<u>1964</u>
<b>OPERATING REVENUES -</b>		
Local service .....	\$ 56,070,375	\$51,675,846
Toll service .....	44,878,521	37,440,761
Miscellaneous .....	4,737,280	4,344,202
Less: Provision for uncollectible accounts .....	(1,099,014)	(528,371)
	<u>\$104,587,162</u>	<u>\$92,932,438</u>
<b>OPERATING EXPENSES AND TAXES -</b>		
Maintenance .....	\$ 19,725,216	\$17,094,908
Provision for depreciation .....	21,964,996	19,104,251
Traffic, commercial, general administrative and other .....	23,840,029	21,105,163
General taxes .....	3,445,270	3,130,167
Provision for income taxes .....	12,930,372	11,122,707
	<u>\$ 81,905,883</u>	<u>\$71,557,196</u>
Net operating income .....	\$ 22,681,279	\$21,375,242
<b>OTHER INCOME -</b>		
Miscellaneous - net (including \$335,791 and \$395,210 interest charged to construction) .....	221,512	448,008
	<u>\$ 22,902,791</u>	<u>\$21,823,250</u>
<b>INTEREST AND OTHER DEDUCTIONS -</b>		
Interest on bonds and debentures .....	\$ 8,320,267	\$ 8,008,464
Other interest and amortization of debt discount and expense .....	359,790	316,980
Provision for contingencies (Note 2) .....	414,690	-
	<u>\$ 9,094,747</u>	<u>\$ 8,325,444</u>
Net Income .....	\$ 13,808,044	\$13,497,806
Dividends of \$3,824,000 in 1965 and \$3,472,974 in 1964 to preference and preferred shareholders of British Columbia Telephone Company and minority interest of ordinary shareholders in the net income of that company for the year .....	8,747,765	7,689,337
Consolidated Net Income .....	<u>\$ 5,060,279</u>	<u>\$ 5,808,469</u>

The accompanying notes form an integral part of these financial statements.

**Consolidated Statement of Earnings**

**Retained for Use in the Business**

For the Year Ended 31st December 1965

**UNAPPROPRIATED —**

Balance as at 1st January 1965 .....	\$21,936,908
Add: Net income for the year .....	5,060,279
	<u>\$26,997,187</u>

*Deduct:*

Dividends paid or provided for —		
4½ % cumulative preferred stock .....	\$ 281,250	
\$2.90 cumulative preferred stock .....	362,500	
\$2.65 cumulative preferred stock .....	371,000	
Class A stock .....	1,565,604	
Deferred stock .....	290,000	
	<u>\$2,870,354</u>	
Share issue expenses and premium on redemption of preferred shares of subsidiary .....	688,977	
Transfer to retained earnings — appropriated .....	20,734	3,575,065
Balance as at 31st December 1965 .....		<u>\$23,422,122</u>

**APPROPRIATED FOR GENERAL CONTINGENCIES —**

Balance as at 1st January 1965 .....	\$ 953,704
Add: Transfer from retained earnings — unappropriated .....	20,734
Balance as at 31st December 1965 .....	<u>\$ 974,438</u>

The accompanying notes form an integral part of these financial statements.



## Notes to Financial Statements

As at 31st December 1965

1. The following wholly-owned subsidiaries have been consolidated herein:

Dominion Directory Company Limited  
Canadian Telephones and Supplies Ltd.  
Compania Dominicana de Telefonos, C. por A.

In addition, British Columbia Telephone Company, which is owned to the extent of 50.238% of the ordinary shares of that company, is included in the consolidation.

2. As stated in Note 1 the accounts of Compania Dominicana de Telefonos, C. por A. (Dominicana) which operates in the Dominican Republic, have been included in the consolidation. In April 1965, an insurrection against the existing Dominican Government took place necessitating the armed intervention of an Inter-American Force; subsequently the political situation has become more stabilized. Anglo-Canadian's aggregate investment in Dominicana at 31st December 1965 was \$7,514,695 and the net assets of Dominicana included in the consolidation aggregated \$13,939,629.

The consolidated statement of income and expenses includes the revenues of Dominicana (\$3,061,926) and its operating expenses. Dominicana has made provision on its books for all known losses before determining its net income. Anglo-Canadian has made a further provision on its books for possible losses in the Dominican Republic not apparent at this time in an amount equivalent to the net income reported by Dominicana. Accordingly, no income from Dominicana is reflected in the consolidated statement of income.

Exchange Control Regulations in the Dominican Republic have not permitted the remittance to Anglo-Canadian of any interest, service fees or dividends applicable to the current year and no accruals therefor have been made on the books of Anglo-Canadian. Interest, service fees and dividends in respect of prior years aggregating \$578,276 have not been remitted at 31st December 1965.

Dominican pesos have historically been fixed at par with the United States dollar and have been converted at par with the Canadian dollar for purposes of the consolidated financial statements.

3. In January 1959, Compania Dominicana de Telefonos, C. por A. under the terms of a contract with the then existing Government of the Dominican Republic, offered for sale to unspecified Dominican persons or entities 40% of its existing capital shares issued and outstanding. This offer will remain open for a period of seven years from January 1959. In 1961, advances to Compania Dominicana de Telefonos, C. por A., in the amount of \$3,250,000 were repaid from the proceeds of sale to the company of 33,817 shares of the common stock of Compania Dominicana de Telefonos, C. por A. at \$100 per share. In accordance with the terms of the contract referred to above, 40% of such shares were offered to Dominican persons or entities for a period of seven years from the date of the offer. Although the Government of the Dominican Republic acknowledged these offers, no acceptance of the offers has yet been received.

Under the terms of this contract, the Dominican Government also has the right to acquire at any time during the life of the contract, the telephone, telegraph and radio-telegraph property and related assets and liabilities of the company at underlying book value.

4. During the year the Company received from the Canadian War Damage Commission final settlement of its claim in respect of its previous investment in Philippine Long Distance Telephone Company. The Company has credited the amount of this settlement (\$29,375) to its Investment Account to reduce the carrying value of its investment in the ordinary shares of British Columbia Telephone Company.

## 5. CAPITAL STOCK

### Authorized:

	Shares	Amount
Cumulative preferred stock (redeemable) of par value \$50 per share .....	600,000	\$30,000,000
Class A stock of par value \$10 per share .....	1,500,000	15,000,000
Deferred stock of par value \$10 per share .....	200,000	2,000,000
		<u>\$47,000,000</u>

### Issued:

4½% cumulative preferred stock .....	125,000	\$ 6,250,000
\$2.90 cumulative preferred stock .....	125,000	6,250,000
\$2.65 cumulative preferred stock .....	140,000	7,000,000
		<u>\$19,500,000</u>
Class A stock (including 70,000 shares issued for cash in 1965 at \$100 per share) .....	804,685	8,046,850
Deferred stock .....	200,000	2,000,000
		<u>\$29,546,850</u>

6. Under the terms of the Trust Deed applicable to the 6% Sinking Fund Debentures of the Company, the Company has covenanted that it will not, so long as any Series A Debentures remain outstanding, declare or pay any dividends (other than stock dividends or dividends on its cumulative preferred shares) which would reduce the unappropriated surplus of the Company below the amount of \$4,083,011.

## 7. LONG TERM DEBT

### Anglo-Canadian Telephone Company -

6% Sinking Fund Debentures Series A due 1st February 1983 .....	\$4,680,000	
Less: Sinking fund instalment due 2nd February 1966 . (\$260,000 principal amount retired annually under Trust Deed)	<u>260,000</u>	\$4,420,000

### British Columbia Telephone Company -

#### First Mortgage bonds -

Series A 3¾% due 1st March 1971 .....	\$16,500,000	
Series B 3⅛% due 1st March 1971 .....	3,000,000	
Series C 3¾% due 1st March 1971 .....	8,000,000	
Series D 4½% due 1st March 1971 .....	8,000,000	
Series E 4¾% due 1st October 1975 .....	7,000,000	
Series F 5% due 1st April 1982 .....	25,000,000	
Series G 5¼% due 1st November 1983 .....	20,000,000	
Series H 6% due 15th September 1984 .....	15,000,000	
Series I 5¾% due 1st August 1985 .....	15,000,000	
Series J 5¾% due 15th July 1986 .....	20,000,000	
Series K 5⅝% due 15th April 1988 .....	<u>20,000,000</u>	157,500,000
		<u>\$161,920,000</u>

8. Provisions have been made in prior years by charges against income in the net amount of \$8,670,544 for additional income taxes, payment of which has been deferred by claiming for tax purposes capital cost allowances in excess of depreciation provided in the accounts. With effect from 1st January 1958, the amount of capital cost allowance claimed has been restricted to the amount of depreciation recorded in the accounts.

9. As at 31st December 1964, British Columbia Telephone Company had accrued and funded the cost of pensions for all employees retired or eligible to retire on or before that date. Commencing in 1965, that company has accrued and funded the pension entitlement for all employees for current service and similarly provided for past service costs (approximately \$22,000,000 plus interest thereon) by amortization at the rate of \$1,385,000 per annum for twenty-five years. As a result of this change in accounting policy, employees' pension costs charged against 1965 income have been increased by an estimated \$1,560,000, and consolidated net income has therefore been affected to the extent of the parent company's proportionate share thereof, 50.238% (\$783,700).

## Auditors' Report

### RIDDELL, STEAD, GRAHAM & HUTCHISON

CHARTERED ACCOUNTANTS

630 Dorchester Blvd. W.  
Montreal 2

28th January, 1966

TO THE SHAREHOLDERS  
ANGLO-CANADIAN TELEPHONE COMPANY

We have examined the accompanying financial statements of Anglo-Canadian Telephone Company and subsidiaries for the year ended 31st December 1965, comprising the balance sheet and the consolidated balance sheet as at that date, and the statements of income and expenses and retained earnings for the year then ended and have obtained all the information and explanations we have required except that we were unable to obtain audited financial statements for a subsidiary company, Compania Dominicana de Telefonos, C. por A. (Dominicana). Our examination otherwise included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In view of the unsettled political situation in the Dominican Republic and our consequent inability to obtain audited financial statements for Dominicana we are unable to express an opinion on the net assets of that company which have been included in the consolidated balance sheet in the amount of \$13,939,629 nor as to the aggregate investment in Dominicana carried on Anglo-Canadian's balance sheet in the amount of \$7,514,695. We are also unable to express an opinion on the revenues, expenditures and provision for losses for Dominicana either as recorded in the consolidated statement of income and expenses or as recorded in the statement of income and expenses of Anglo-Canadian.

Subject to the effect of the matters referred to in the preceding paragraph and their satisfactory outcome, in our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies the aforementioned financial statements, supplemented by the notes thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and its subsidiaries as at 31st December 1965 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in the method of accounting for pension costs as described in Note 9.

*Riddell, Stead, Graham & Hutchinson*  
Auditors





